

State inks new CHIP contract

By MIKE DENNISON - IR State Bureau - 08/29/06

Pledge increases number of health insurance slots for kids

HELENA — The state plans to ink a new contract with Blue Cross/Blue Shield to manage the publicly funded Children's Health Insurance Program, creating as many as 1,000 new slots to cover kids from low-income families.

The new contract offers a "significant savings" over Blue Cross' current price to cover kids on the CHIP program, thus freeing up more money to expand coverage for children, said Jackie Forba, chief of the state Health Resources Bureau.

"I think it's great for uninsured kids," she said Monday. "Additional kids will be able to be enrolled and more of our dollars will be providing health care for kids, and less will go to administrative costs."

CHIP currently provides health insurance to 13,170 kids whose families earn up to 150 percent of the federal poverty level, or \$19,800 for a family of two.

Advocates for CHIP hailed the new contract as a step in the right direction, but said the state can save even more money if it would take over administration of the program entirely.

"I'm very happy with (the new contract)," said Rep. Mary Caferro, D-Helena. "(But) it's still our goal that CHIP will be a fully public product. That way even more children will have access to health care."

Caferro and others have been arguing for more than two years that Blue Cross, the state's largest health insurer, was extracting too much profit from the CHIP contract, keeping as much as 20 percent for administrative costs.

Blue Cross agreed to return some of that money to the state, but company officials said the firm deserved to profit on the contract because it was assuming the risk.

Under the new contract, Blue Cross will process insurance claims for kids on CHIP, but the state will assume the risk.

That means if the cost of claims exceeds the amount of money for the program, the state is on the hook for covering the cost. However, an overrun hasn't occurred since the program began in 1999.

Forba said the state will be paying Blue Cross less for the new administrative contract, but that the final details have yet to be negotiated. The current contract expires next month.

Blue Cross officials familiar with the contract could not be reached for comment Monday.

CHIP is a federal-state program that offers health insurance to kids who are not eligible for any other assistance programs. The federal government covers 80 percent of the

program costs.

The 2005 Montana Legislature voted to expand CHIP, upping state funding and the federal match to finance an additional 3,000 slots in the program. The program insured about 10,900 kids at the time.

As more money becomes available for CHIP, the state should consider increasing the income ceiling for eligibility, Caferro said.

"It's a good use of tax dollars," she said, noting that every state dollar spent on CHIP brings in \$4 of federal money, while insuring children who otherwise don't have health coverage.

Sen. Mike Cooney, D-Helena, who sponsored a bill last year to increase the CHIP eligibility, said he'll consider introducing a similar bill at the 2007 Legislature, if he's re-elected.

The bill gave the state the power to increase CHIP eligibility if enough money is available to cover more kids.

"I have great faith that (the state) would be able to manage something like that very successfully, and I'd like to give them the tools to do it," he said Monday.

"We know that if we go a little bit above 150 percent (of the federal poverty level), we can start helping a good chunk of the population that desperately needs health care."